

Message Text

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ACTION NEA-09

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R 311410Z JAN 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 6622

INFO AMEMBASSY DACCA

AMEMBASSY KATHMANDU

USLO PEKING

AMCONSUL HONG KONG

AMCONSUL CALCUTTA

C O N F I D E N T I A L NEW DELHI 1473

E. O. 11652: NGDS

TAGS: PFOR, IN, NP

SUBJECT: INDIA-NEPAL RELATIONS -- TRADE AND THE NEPALI
CONGRESS

REF: KATHMANDU 449 AND NEW DELHI 16696

SUMMARY: OUR SOUNDINGS CONFIRM EMBASSY KATHMANDU'S
CONCLUSION THAT INDIA WILL ASK HIGHER PRICES FOR CERTAIN
KEY ITEMS IT EXPORTS TO NEPAL BUT THAT INDIAN PROBABLY
WON'T EITHER EMBARGO EXPORT OF ALL SUCH KEY ITEMS TO NEPAL
OR DEMAND HARD CURRENCY PAYMENT FOR THEM. OF MORE
IMMEDIATE SIGNIFICANCE TO THE USG ARE CONTINUING REPORTS
OF POSSIBLE NEPALI CONGRESS TERRORIST ACTIVITIES BEFORE
OR DURING THE CORONATION. INDIA IS CONCERNED AND HAS
TIGHTENED ITS SECURITY ALONG THE NEPALESE BORDER.
INDIA SUPPORTS RECONCILIATION BETWEEN THE KING AND THE
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LEADER OF THE MODERATE WING OF THE NEPALI CONGRESS, ONE

EFFECT OF WHICH WOULD BE TO ISOLATE AND WEAKEN THE MORE
RADICAL SUPPORTERS OF THE NEPALI CONGRESS. END SUMMARY.

1. WE HAVE TALKED TO THE COUNSELOR AT EH NEPALESE
EMBASSY AND TO BOTH THE DIRECTOR AND DEPUTY SECRETARY
OF THE FOREIGN MINISTRY'S NORTHERN DIVISION ABOUT INDIAN
POLICY ON SUPPLY TO NEPAL OF ESSENTIAL COMMODITIES SUCH
AS CEMENT, STRUCTURAL IRON AND STEEL, ETC. THEY ALL
BROADLY CONFIRM EMBASSY KATHMANDU'S ACCOUNT OF THE
FLAP IN EARLY DECEMBER ABOUT THE TEMPORARY DELAY IN
DELIVERY OF SUCH COMMODITIES. ONE COMPLICATING FACTOR,
ACCORDING TO THE NEPALESE EMBASSY HERE, IS THAT HE
VARIOUS QUOTAS FOR SUCH COMMODITIES COVER DIFFERENT
TIME PERIODS (SOME INDIAN FISCAL YEAR, SOME NEPALESE
FISCAL YEAR AND SOME CALENDAR YEAR) AND NEPAL IS HAVING
TROUBLE FINDING OUT FROM THE GOI HOW LARGE EACH QUOTA IS.

2. INDIAN OFFICIALS ALSO CONFIRM THAT INDIA WILL SEEK
HIGHER PRICES FOR COAL AND CEMENT EXPORTED TO NEPAL.
INDIA IS RAISING THE PRICE OF COAL TO BANGLADESH AS
WELL, ARGUING THAT BANGLADESH SHOULD PAY THE SAME PRICE
AS BURMA AND OTHER COUNTRIES. INDIA IS ALREADY
EXPORTING ALL THE CEMENT IT CAN TO THE PERSIAN GULF AT
WORLD PRICES. INDIAN OFFICIALS INSIST, HOWEVER, THAT
INDIA DOESN'T PLAN EITHER TO CUT OFF SUPPLY OF ITEMS
SUCH AS CEMENT TO NEPAL OR TO ASK FOR PAYMENT IN HARD
CURRENCY. COMMENT: WHEN NEPALESE PRIME MINISTER
RIJAL VISITED, INDIA IMPLIED THAT IT MIGHT TURN THE
ECONOMIC SCREWS. WE BELIEVE INDIAN WOULD CHOSE FIRST
TO CUT AID AND TO REDUCE THE SUPPLY OF ESSENTIAL
COMMODITIES RATHER THAN OPENLY TO RESTRICT TRANSIT THROUGH
INDIA OF NEPAL'S TRADE WITH OTHER COUNTRIES. WE HAVE
HEARD RUMORS OF A SLOWDOWN OF INDIAN AID TO NEPAL, AND
THE PRICE INCREASE COULD BE THE FIRST INDICATION OF AN
EFFORT TO LIMIT SUPPLY OF ESSENTIAL COMMODITIES. MORE
LIKELY, HOWEVER, IT IS SIMPLY ONE PART OF THE INDIAN
BUREAUCRACY ACTING IN ITS OWN INTERESTS. INDIA IS DOING
THE SAME THING WITH BANGLADESH.

3. NEPALI CONGRESS: THERE HAVE BEEN OCCASIONAL REPORTS
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THAT THE NEPALI CONGRESS WOULD PROGRESSIVELY INCREASE
TERRORIST ACTIVITY DURING THE PERIOD LEADING UP TO THE
CORONATION AND WOULD ATTEMPT TO GRAB AND HOLD TEMPORARILY
SMALL AREAS OF NEPAL. WE HEARD THIS MOST RECENTLY ON
JANUARY 24TH FROM THE GENERAL SECRETARY OF THE SOCIALIST
PARTY, WHICH HAS STRONG TIES TO NEPALI CONGRESS LEADER
J. P. NARAYAN. HE SAID THAT THE GOI HAS INCREASED ITS
EFFORTS TO CONTAIN NEPALI CONGRESS ACTIVITY ALONG THE

INDIAN BORDER SINCE INDIAN ACTION TO MAKE SIKKIM AN ASSOCIATE STATE. A WELL-PLACED JOURNALIST TOLD US A FEW DAYS EARLIER THAT THE GOI IS VERY CONCERNED THAT THE NEPALI CONGRESS WILL CONDUCT A MAJOR OPERATION BEFORE OR DURING THE CORONATION. THE GOI HAS, ACCORDING TO HIM, RECENTLY CLEANED OUT FROM THE BORDER AREAS LOWER LEVEL NEPALI CONGRESS ACTIVISTS WHO WERE LEFT BEHIND WHEN THE GOI IMPOSED ITS ORIGINAL RESTRICTIONS OVER A YEAR AGO. THE FOREIGN MINISTRY JOINT SECRETARY IN CHARGE OF THE NORTHERN DIVISION TOLD THE POLITICAL COUNSELOR JANUARY 31 THAT THE GOI IS ENFORCING WITH GREAT SEVERITY ITS BAN ON NEPALI CONGRESS PERSONNEL WITHIN 50 MILES OF THE BORDER. HE SAID THE GOI HAS MOST SERIOUSLY WARNED THE NEPALI CONGRESS LEADERSHIP NOT TO UNDERTAKE ANY TERRORISM IN CONNECTION WITH THE CORONATION. WE HAVE NO INDEPENDENT VERIFICATION OF WHAT THE GOI HAD DONE.

4. THE INCREASED GOI RESTRICTIONS ON THE MORE RADICAL WING OF THE NEPALI CONGRESS AND GOI SUPPORT FOR RECONCILIATION BETWEEN THE KING AND THE MODERATE WING OF THE NEPALI CONGRESS MAY BE CONNECTED. A YEAR AND A HALF AGO THE INDIAN DCM IN KATHMANDU COMMENTED THAT IF ONLY THE KING WOULD COMPROMISE WITH GENERAL SUBARNA, LEADER OF THE MODERATE WING, THEN THE GOI COULD CRACK DOWN ON THE MORE RADICAL WING. MORE RECENTLY, A FOREIGN MINISTRY OFFICIAL ARGUED TO US THAT THE NEPALI CONGRESS WAS NOT MONOLITHIC AND THAT SUBARNA'S RECONCILIATION WITH THE KING WOULD RESULT IN MANY MORE PASSIVE NEPALI CONGRESS SUPPORTERS SHIFTING THEIR LOYALTIES TO HIM. THE SOCIALIST PARTY GENERAL SECRETARY AND ANOTHER "FRIEND" OF THE NEPALI CONGRESS IN DELHI HAVE BOTH RECENTLY COMMENTED TO US

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THAT THE GOI PREFERS SUBARNA, WHOM IT BELIEVES IT CAN CONTROL BECAUSE OF HIS EXTENSIVE BUSINESS INTERESTS IN INDIAN AND WHO WILL HAVE MORE INFLUENCE IN THE COURT ATMOSPHERE OF KATHMANDU, TO B. P. KOIRALA, WHO IS MORE A "MAN OF THE PEOPLE" AND CONSEQUENTLY WOULD OPERATE LESS EFFECTIVELY IN A MONARCHY AND WOULD BE LESS SUBJECT TO GOI CONTROL.
SCHNEIDER

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